

LBNL – PROCUREMENT STANDARD PRACTICES

Section: 13 Small Purchase Procedures

Subject: 13.1 Small Purchases

PURPOSE: This standard practice (SP) establishes the procedures to be used for small purchases.

POLICY: The Laboratory shall award small purchases by methods designed to:

- Obtain fair and reasonable prices;
- Reduce administrative costs; and
- Improve opportunities for small businesses by reserving all procurements of \$100,000 or less for small business concerns (SB concerns), provided they are able to meet the Laboratory's requirements and the award can be made at fair market prices. For a definition of SB concerns, see SP 19.1, *Socioeconomic Programs – General*.

SCOPE: This SP applies to purchases of \$100,000 or less.

DEFINITIONS:

Fair and Reasonable Price

A fair and reasonable price is one that does not exceed that which would be incurred by a prudent person in the conduct of competitive business and need not be the lowest available, but is the one that offers the best value to the Laboratory.

Small Purchase

Small purchase means the procurement of goods or services for \$100,000 or less using the procedures in this SP. Under small purchase procedures, the Laboratory's written order constitutes an offer by the University to the subcontractor to purchase certain goods or services under specified terms and conditions. A purchase order becomes effective when the subcontractor accepts the offer through initiation of requested performance or written acknowledgement of the order.

Small Purchase Threshold

The small purchase threshold is \$100,000.

Telephone Orders

Telephone orders are procurements issued through procedures designed to expedite solicitation and award. Under these procedures, quotations are solicited and orders are awarded verbally.

PROCEDURES:

General

Small purchase procedures should be used to the maximum extent practicable for all purchases or services of \$100,000 or less.

Telephone Order-

When appropriate, telephone-order procedures should be used

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to the maximum extent practicable for orders of \$25,000 or less. Under these procedures, quotations are solicited and orders are awarded verbally.

Exceptions — Because of the necessity to issue a written solicitation and/or order, procurements involving the following goods, services, and/or conditions should not be issued verbally:

- Orders involving drawings or specifications;
- Fabrications;
- Goods requiring inspection, testing, or submission of samples;
- Goods requiring long-lead times;
- Leases and rentals;
- Orders requiring quality-assurance provisions;
- Orders for precious metals;
- Orders for services (other than routine services, such as training or repairs);
- Orders involving a trade-in;
- Orders requiring work on-site;
- Purchases of controlled substances;
- Intra-University Transactions (IUTs);
- Purchases of vehicles;
- Orders for goods with an allowable variation that would cause the order value to exceed \$25,000;
- Other conditions under which Laboratory terms and conditions must apply;
- Construction in excess of \$2,000 (see SP 36.1, *Construction Subcontracts*); and
- Hazardous and/or controlled materials which pose a significant risk to personnel in the Laboratory or in the Community.

Prohibition — Telephone orders may not be used for requirements initially estimated to exceed \$25,000, even though the resulting award may not exceed that limit. Requirements may not be split into separate awards in order to utilize telephone-order procedures.

Purchase orders are issued in writing when telephone-order procedures are not used.

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Competition Requirements

Orders of \$25,000 or Less — Competition is not required if the price, quality, and delivery terms quoted are reasonable.

Orders Exceeding \$25,000 — Quotations should be solicited from at least two qualified sources unless the procurement specialist determines that only one source is reasonably available from a SB concern that is able to meet the Laboratory's requirements at a fair market price.

Small Business Set-Asides

Except when purchases need to be made from required sources of supply, or when an adequate sole-source reason applies, small purchases should be reserved exclusively for small businesses when:

- The purchase will be made in the United States, its territories and possessions, Puerto Rico, and the Trust Territory of the Pacific Islands; and
- There is a reasonable expectation of obtaining quotations from at least two or more small business concerns that are competitive in terms of market price, quality, and delivery.

If only one acceptable offer is received from a responsible small business concern, award should be made to that firm.

If no acceptable offers from responsible small concerns are received, the set-aside may be withdrawn and the requirement resolicited on an unrestricted basis.

Notice of Intent — Notify the offers that any award resulting from this solicitation will be made to a small business concern.

Small Business Administration (SBA) 8(a) Program

Small purchases may be awarded on a noncompetitive basis to firms participating in the Small Business Administration's 8(a) Program if the 8(a) subcontractor offers the Laboratory a fair and reasonable price for the required goods or services. See SP 19.3, *Set-asides and Non-Competitive Awards*, for additional information.

Determination of Price Reasonableness

Orders of \$25,000 or Less — The administrative cost of verifying the reasonableness of the price may more than offset potential savings from detecting instances of overpricing. Action to verify price reasonableness should be taken only when:

- The procurement specialist suspects or has information to indicate that the price may not be reasonable, or
- Purchasing an item for which no comparable pricing information is readily available, such as when an item is not the same as or similar to other items that have recently been

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purchased on a competitive basis.

Orders Exceeding \$25,000 — The basis for determining that a proposed price is fair and reasonable must be documented in the file. The determination may be based on a comparison of the proposed price with:

- Other competitive quotations,
- Previous purchases,
- Current price lists,
- Catalogs,
- Advertisements,
- Similar items in a related industry,
- Value analysis,
- The procurement specialist's personal knowledge of the item being purchased, or
- Any other rational basis.

Solicitations

Generally, quotations should be solicited verbally. Written solicitations should be used when obtaining quotations that have detailed specifications or drawings, or for other reasons deemed necessary.

Award

Orders must be issued in writing. Subject to the procurement specialist's delegated authority (see SP 1.2, *Delegation of Procurement Authority*), the subcontractor may be notified of the award verbally.

Acceptance

Written acceptance (acknowledgement) of the order is not required unless the procurement specialist believes that it is necessary to consummate a binding agreement between the parties before the subcontractor undertakes performance.

Representations and Certifications

The Laboratory's standard representations and certifications need not be completed for small purchases. This does not preclude the need to obtain completed certifications for such requirements as self certification for socioeconomic categories or organizational conflicts of interest (see SP 9.3, *Organizational Conflicts of Interest*).

Standard Terms and Conditions

The Laboratory's standard terms and conditions apply to small purchases and may be provided in writing to the subcontractor or incorporated into the purchase order by reference.

Administration

The level of file administration should be commensurate with the value of the order. Normally, administration should consist of

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follow-up on late deliveries. The order file may be considered closed upon notification of receipt of all deliveries and/or evidence of payment of the final invoice.

Termination or Cancellation

If a small purchase is to be:

- Cancelled and the subcontractor does not claim any incurred costs, the order should be modified to cancel it, and the subcontractor's written acceptance should be obtained. No further action is required.
- Terminated, the procedures in SPs 49.1, *Termination for Convenience*, or 49.2, *Termination for Default*, should be followed.

Documentation

Written records of small purchases and telephone orders may be limited to notes or abstracts to show prices, delivery, references to printed price lists used, the vendor(s) contacted, and other pertinent data. The determination of price reasonableness must be documented in the order file (see SP 4.3, *Documentation Requirements*).

RESPONSIBILITIES:

Procurement Specialist

The procurement specialist shall:

- Use small purchase procedures to the maximum extent practicable;
- Issue small purchases of \$25,000 or less using telephone-order procedures, when appropriate;
- Reserve small purchases of \$100,000 or less for award to SB concerns under the conditions outlined above;
- Award small purchases noncompetitively to participants in the SBA 8(a) Program, when practicable.
- Document small purchases in accordance with this SP and Laboratory-specific documentation requirements; and
- Close small purchase files upon notification of receipt of all deliveries and/or evidence of payment of all invoices.